

Using the job mobility of young workers to assess the U.S. labor market

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Young adults commonly move from job to job early in their careers as they seek work that best fits their interests and skills. U.S. labor market fluidity aids with economic and social mobility by providing an avenue to higher compensation, improved working conditions, opportunities for advancement, and development of new skills. However, as Canyon Bosler and Nicolas Petrosky-Nadeau examine in [“Job-to-job transitions in an evolving labor market”](#) (*FRBSF Economic Letter*, Federal Reserve Bank of San Francisco, November 14, 2016), job mobility has been slowing overall, especially among young workers.

Most months, more people move from job to job than move from unemployment into a new job. The authors argue that the U.S. economic engine is slowing and that declining job-changing activity may be an indicator of this slowdown. Using data from the Census Bureau’s Survey of Income and Program Participation, they find that job-to-job transfer rates declined just over 25 percent from 1997 to 2013. In 1997, nearly 3 percent of people over age 16 employed one month had a different job the next; this figure decreased to near 2 percent in 2013.

Job-to-job transitions are more common for young adults, especially those under 22, who often try different careers and aim to develop new skills early on. These transitions decrease after age 22 and stabilize in the 30s. However, from 1997 to 2012, the mobility rates for workers under 21—that is, the percentage of workers who have a different job than they did the month before—dropped by nearly 2 percentage points, from about 6 percent to about 4 percent, while the rate among 40–44 year olds remained relatively unchanged. Job-to-job transitions, the authors note, have tended to move with the business cycle, rising when the economy expands, but there has been a gradual decline for younger workers since the late-1990s distinct from business cycle movements.

The authors speculate that holding the transition rates fixed to 1997 levels and using historical trends to guide employment for each age group would result in a job-to-job transition rate of 2.4 percent in 2013, relatively close to the actual 2.0 percent rate. Despite representing only about 12 percent of the continuously employed, the under-25 age group accounts for 70 percent of the decline in the aggregate job-to-job transitions rate. Data show the mobility of workers 25 and over has displayed no downward trend.

Among the occupation groups that account for 95 percent of workers under age 25—services; clerical and retail sales; managerial and professional sectors, including technicians, finance, and public safety; and sectors such as transportation, construction, mechanics, mining, and farm work—the decline in the transition rates for young people employed in services is the most severe, and all of the occupations show a downward trend. In 1997, the job-to-job transition rate for workers under age 25 working in services was 5.5 percent. By 2013, it had dropped

to 3.5 percent. However, the service sector's increased share of employment for the young, which was 23 percent of total employment in 1997 and 31 percent in 2013, has somewhat offset the decline in mobility. The authors also say that of the categories listed above, a drop in employment and job-to-job transitions for young workers in the transportation and construction sectors was a major contributor to the overall decline in the transition rate.

The authors close by noting potential explanations for the decreased job-to-job transition rate, one of which is the increase in the percentage of young adults moving back in with their parents, which may result in a diminished desire to experiment with different jobs. However, the authors argue that declines in job mobility may be a result of labor market improvements. With young workers earning advanced degrees and with an increase in training and specialization, workers, especially young ones, are entering their career of choice earlier in life. The continued U.S. labor market fluidity for most of the working population, the authors conclude, alleviates many of the concerns brought about by declines in the job-to-job mobility of young workers.

SUGGESTED CITATION

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